Canadian Grain Commission
Commission canadienne des grains

Future-oriented statement of operations (unaudited)

Canada

Statement of Management Responsibility
Canadian Grain Commission

Departmental management is responsible for these future-oriented financial statements, including responsibility for the appropriateness of the assumptions on which these statements are prepared. These statements are based on the best information available and assumptions adopted as at November 30, 2010 and reflect the plans described in the Report on Plans and Priorities.

The actual results achieved for the fiscal years covered in the accompanying financial information will vary from the information presented, and the variations may be material.

The future oriented financial statements for the Canadian Grain Commission have been reviewed by the Department and Agency Audit Committee; however they have not been audited.

Cheryl Blahey, CMA
Chief Financial Officer
Winnipeg, Canada

Elwin Hermanson
Deputy Head
Winnipeg, Canada

Canadian Grain Commission

FUTURE-ORIENTED STATEMENT OF OPERATIONS (unaudited)

(in thousands of dollars)

For the year ending March 31

	Quality Assurance	Quantity Assurance	Grain Quality Research	Producer Protection	Internal Services	2011-2012 Total	2010-2011 Total
Service Fees	21,261	8,513		319	7,090	37,183	39,532
Appropriations	14,332	2,975	10,039	2,637	5,669	35,652	31,921
Total Revenue	**35,593**	**11,488**	**10,039**	**2,956**	**12,759**	**72,835**	**71,453**
Salaries	33,393	10,188	8,010	3,084	10,180	64,854	64,067
Rent	2,104	642	504	194	641	4,086	4,036
Travel	1,875	572	450	173	571	3,641	3,597
Repairs & Supplies	1,713	523	411	158	522	3,327	3,287
Amortization	1,303	397	312	120	397	2,530	2,499
Professional & Special Svcs	1,253	382	301	116	382	2,434	2,404
Communications	688	210	165	64	210	1,336	1,320
Other	175	53	42	16	53	343	336
Total Expenses	**42,506**	**12,970**	**10,193**	**3,925**	**12,956**	**82,550**	**81,547**
Shortfall requiring access to accumulated surplus	**(6,913)**	**(1,482)**	**(154)**	**(969)**	**(197)**	**(9,715)**	**(10,093)**

The accompanying notes form an integral part of these future-oriented financial statements.

Notes to the Future-Oriented Statement of Operations (unaudited)

1. AUTHORITY AND OBJECTIVES

The CGC Revolving Fund ["CGC", the "Revolving Fund" or the "Fund"] derives its authority from the *Canada Grain Act* ["CGA"]. The CGC's mandate as set out in the CGA is to, in the interest of producers, establish and maintain standards of quality for Canadian grain and regulate grain handling in Canada, to ensure a dependable commodity for domestic and export markets.

2. SIGNIFICANT ASSUMPTIONS

The future-oriented financial statements have been prepared on the basis of the government priorities and the plans of the department as described in the *Report on Plans and Priorities*.

The main assumptions are as follows:

(a) The department's activities will remain substantially the same as for the previous year.
(b) Expenses and revenues, including the determination of amounts internal and external to the government, are based on historical experience. The general historical pattern is expected to continue.
(c) Estimated information for 2011-12 is based on the authority granted to the CGC in Budget 2010.

These assumptions are adopted as at November 30, 2010.

3. VARIATIONS AND CHANGES TO THE FORECAST FINANCIAL INFORMATION

While every attempt has been made to accurately forecast final results for the remainder of 2010-11 and for 2011-12, actual results achieved for both years are likely to vary from the forecast information presented, and this variation could be material.

In preparing these financial statements, the CGC has made estimates and assumptions concerning the future. These estimates and judgments may differ from the subsequent actual results. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Factors that could lead to material differences between the future-oriented financial statements and the historical financial statements include:

(a) Economic conditions in relation to grain volumes may affect both the amount of revenue earned and the collectibility of accounts receivable.
(b) Further changes to the operating budget through additional new initiatives or technical adjustments later in the year.
(c) The timing and amounts of acquisitions and disposals of property, plant and equipment may affect gains/losses and amortization expense.

Once the *Report on Plans and Priorities* is presented, the CGC will not be updating the forecasts for any changes to appropriations or forecast financial information made in ensuing supplementary estimates.

4. SIGNIFICANT ACCOUNTING POLICIES

The future oriented financial statements have been prepared in accordance with accounting standards issued by the Treasury Board of Canada Secretariat which are consistent with Canadian generally accepted accounting principles for the public sector, except employee vacation and severance liabilities are based on management's estimate of the liabilities rather than based on actuarial estimates.

The significant accounting policies are as follows:

Parliamentary appropriation

The ongoing Parliamentary appropriation received for the Appointments by the Governor in Council of Assistant Commissioners and Grain Research Laboratory expenditures has been recorded as revenue of the Fund. The cash accounting basis is used to recognize transactions affecting parliamentary appropriations. The future-oriented financial statements are based on accrual accounting. Consequently, items presented in the Future-oriented Statement of Operations are not necessarily the same as those provided through appropriations from Parliament. Note 5 provides a reconciliation between the bases of reporting.

Revenues

Revenues are presented on an accrual basis:

- Revenues from service fees are recognized in the accounts based on the services provided in the year.
- Revenues that have been received but not yet earned are presented as deferred revenue. Deferred revenue is primarily received for licensing fees which cover a 12-month period.
- Other revenues are accounted for in the period in which the underlying transaction or event occurred that gave rise to the revenues.

Expenses

Expenses are presented on an accrual basis:

- Vacation pay and compensatory leave are expensed as the benefits accrue to employees under their respective terms of employment.

Employee future benefits

- Employee severance benefits: Severance benefits accrue to employees over their years of service with the Government of Canada as stipulated in their collective agreements.
- Pension plan: Employees of the CGC are covered by the *Public Service Superannuation Act* and the *Supplementary Retirement Benefits Act*. The Government of Canada's portion of the pension cost is included in the employee benefit charge assessed against the Revolving Fund. The actual payment of the pension is made from the Public Service Superannuation and Supplementary Retirement Benefits Accounts. Current legislation does not require the CGC to make contributions for any actuarial deficiencies of the Public Service Superannuation account.

Tangible capital assets

Certain assets previously under the custody of the Department of Agriculture and Agri-Food Canada were assumed by the Revolving Fund on April 1, 1995. The assumed assets were considered to be contributed

capital and recorded at the Crown's estimated net book value. Assets acquired subsequent to April 1, 1995 were recorded at cost. Proceeds from the disposal of capital assets are retained by the Revolving Fund.

All tangible capital assets and leasehold improvements with a cost equal to or greater than $10,000 are capitalized at their acquisition cost.

Assets are amortized on a straight-line basis over their estimated useful lives, commencing in the month after acquisition, as follows:

Scientific equipment	5 years
Office equipment and furniture	5 years
Operational equipment	10 years
Motor vehicles	5 years
Computer equipment and software	3 years
Leasehold improvements	5 years (term of the lease)

Vacation pay

Vacation pay and compensatory leave are expensed as the benefits accrue to employees under their respective terms of employment and are recorded in the accounts at year end based on employee records.

Interest on drawdown

Interest is charged to the Revolving Fund at a rate set by the Treasury Board. Interest charges are calculated monthly on the balance of the accumulated net charge against the Fund's authority. The Treasury Board does not pay interest when a surplus arises that result in no drawdown against the authority.

Measurement uncertainty

The preparation of these financial statements in accordance with Canadian generally accepted accounting principles required management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as at the date of the financial statements and the reported amounts of revenue and expenses during the periods covered by the financial statements. The principal financial statement components subject to measurement uncertainty include salaries payable related to unsettled labour contracts, the useful life of tangible capital assets, the variability of annual grain volumes which can fluctuate up to 20 percent from year-to-year resulting in variable revenue from fees, and the liabilities for employee vacation and severance benefits. Actual results could differ from those estimated. Management's estimates are reviewed periodically and, as adjustments become necessary, they are recorded in the financial statements in the year they become known.

5. PARLIAMENTARY APPROPRIATIONS

The CGC is funded by a combination of an ongoing appropriation, special appropriation, authority to re-spend fees collected, accumulated surpluses from prior years and a revolving line of credit of $2 million. The CGC has not drawn on its line of credit since 2003-2004. The CGC is examining long-term options to address the evolving needs of the grain industry in a financially sustainable manner.

Items recognized in the future oriented statement of operations in one year may be funded through parliamentary appropriations in prior, current or future years. Accordingly, the CGC has different results of operations for the year on a government funding basis than on an accrual accounting basis. The differences are reconciled in the following tables.

Authorities:

	Forecast 2012	Estimated 2011
	(in thousands of dollars)	
Authorities		
Program Expenditure - Vote 40	35,030	30,924
Transfer from TB - Vote 25		238
Transfer from TB - Vote 30		169
Statutory		
Contributions to employee benefit plan	622	589
Revenue Credited to Vote	42,883	42,530
Access to Accumulated Revolving Fund Surplus	8,500	11,400
Total Authorities	87,035	85,850

Authorities for the years ending March 31, 2011 and March 31, 2012 include amounts presented in the Main Estimates, Supplementary Estimates (A) and (B), planned for presentation in Supplementary Estimates (C), estimates of amounts to be allocated at year-end from Treasury Board central votes and other authorities provided by Treasury Board.

Budget 2010 identified the use of $8.5 million of the CGC accumulated surplus in 2011-12. This amount has been included in the planned spending. The CGC plans to seek authority to access this amount in the fall of 2011.

Reconciliation of total expenses to total authorities:

	Forecast 2012	Estimated 2011
	(in thousands of dollars)	
Total expenses (accrual basis)	**82,550**	**81,547**
Adjustments for items affecting total expenses but not affecting authorities:		
Amortization of tangible capital assets	2,584	2,499
Increase in employee future benefits	1,300	2,625
	3,884	5,124
Adjustments for items not affecting total expenses but affecting authorities:		
Acquisitions of tangible capital assets	1,550	2,504
Employee future benefits	1,000	1,000
	2,550	3,504
Total expenses (cash basis)	**81,216**	**79,927**
Other Adjustments		
Revolving fund - projected unused surplus	-	2,912
Difference between respendable revenue authority limit and projected revenue earned	5,819	2,998
Forecast current year lapse	-	13
Total Authorities	**87,035**	**85,850**

6. EMPLOYEE SEVERANCE BENEFITS

The CGC provides severance benefits to its employees based on eligibility, years of service and final salary. These benefits are currently funded through a monthly salary accrual. The CGC uses an estimated rate of 2.75% [2011 – 2.75%] of compensation costs to calculate the liability for employee severance benefits. The severance benefits earned by employees prior to April 1, 1995 are funded by the Treasury Board Secretariat until March 31, 2010. Effective April 1, 2010, this liability is accounted for by the CGC with no further funding to be received by the Treasury Board Secretariat for the Revolving Fund.

	Forecasted 2012	Estimated Results 2011
	(in thousands of dollars)	
Employee severance benefits, beginning of year	12,790	10,996
Expense for the year	1,300	1,325
Adjustment for pre-April 1, 1995 expenses	-	1,300
Benefits paid during the year	(1,000)	(831)
Employee severance benefits, end of year	13,090	12,790

Potential impacts of changes in collective agreements have not been reflected in forecasted amounts.

7. LEASE COMMITMENTS

Operating leases for office accommodation have been primarily entered into with Public Works and Government Services Canada. Future minimum annual lease payments over the next five years are estimated as follows:

		Forecast (in thousands of dollars)
Year ending March 31,	2012	2,653
	2013	204
	2014	147
	2015	128
	2016	-

Occupancy Instruments are not reflected past their current expiry dates.

8. CONTINGENT LIABILITIES

Claims have been made against the CGC in the normal course of operations. Management believes that these claims are without merit. The outcome of these actions is not presently determinable and, accordingly, no provision for these claims has been made in these financial statements.

9. RELATED PARTY TRANSACTIONS

The CGC is related in terms of common ownership to all Government of Canada departments, agencies and Crown corporations. The CGC enters into transactions with these entities at arms length in the normal course of business and on normal trade terms.

Services provided by other government departments

During the year, the CGC paid rent and certain professional services to other government departments or agencies. Employer's health insurance plan contributions and employee benefit plans were also provided by and paid to other government departments. Significant services have been recognized in the CGC statement of operations as follows:

	Forecasted 2012	Estimated Results 2011
	(in thousands of dollars)	
Employer's contribution to employee benefit plans	13,776	12,793
Rent	4,319	4,011
Professional and special services		
Audit and accounting services	366	359
Consulting services	366	359
Legal services	347	340
Translation services	341	334
Other	418	388
	19,933	18,584

10. INSURANCE

In accordance with the Government's policy of self-insurance, the CGC does not carry its own insurance.

11. INCOME TAXES

The CGC is not subject to income taxes.